IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA,
U.S. Department of Justice
Antitrust Division
1401 H Street, N.W.
Suite 4000
Washington, D.C. 20530,

Plaintiff,

v.

3D SYSTEMS CORPORATION
26081 Avenue Hall
Valencia, California 91355

and

DTM CORPORATION,
1611 Headway Circle
Building 2
Austin, Texas 78754,

Defendants.

Civil Action No. 1:01CV01237

Judge Gladys Kessler

June 6, 2001

VERIFIED COMPLAINT

The United States of America, acting under the direction of the Attorney General of the United States, brings this civil antitrust action to obtain equitable relief against Defendants, and alleges as follows:

1. The United States seeks to enjoin the acquisition by 3D Systems Corporation ("3D") of DTM Corporation ("DTM"). Unless enjoined, 3D's acquisition of DTM will substantially lessen competition in the development, manufacture and sale of industrial Rapid Prototyping ("RP") systems in the United States in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18.

2. Rapid prototyping is a process by which a machine transforms a computer design for a mechanical or other part into a three-dimensional prototype or model. Rapid prototyping is significantly faster and less expensive than traditional methods of creating a prototype, such as machining, milling or grinding. There are two types of RP systems: industrial and professional. Industrial machines are large, cost hundreds of thousands of dollars and are able to create functional prototypes, tooling inserts, and low volume production quantities of parts. Professional machines are smaller, less expensive, use "ink jet" printing technology, and are geared toward the creation of concept models in an office setting.

3. The acquisition would reduce the number of competitors in the U.S. industrial RP systems market from three to two and would result in the combined company having a U.S. market share, by revenue, of 80% of the industrial RP systems market. It would entirely eliminate the dynamic competition that exists between 3D and DTM in the development, manufacture and sale of industrial RP systems -- competition which has resulted in technological improvements to industrial RP systems as well as lower prices to companies and governmental entities that purchase these systems.

I.

JURISDICTION AND VENUE

4. This action is filed by the United States under Section 15 of the Clayton Act, as amended, 15 U.S.C. § 25, to prevent and restrain Defendants from violating Section 7 of the Clayton Act, 15 U.S.C. § 18.

5. 3D and DTM develop, manufacture, sell, and service industrial RP systems in the flow of interstate commerce. 3D's and DTM's activities in developing, manufacturing, selling, and servicing industrial RP systems substantially affect interstate commerce. This Court has jurisdiction over the subject matter of this action and the Defendants pursuant to Section 12 of the Clayton Act, 15 U.S.C. § 22, and 28 U.S.C. §§ 1331, 1337(a) and 1345.

6. 3D and DTM transact business and are found within this district in that they sell goods and services to customers located in the District of Columbia and receive revenue from contracts entered into in the District of Columbia. Therefore, venue is proper in this judicial district pursuant to 15 U.S.C. § 22 and 28 U.S.C. § 1391.

II.

DEFENDANTS

7. 3D Systems Corporation is a Delaware corporation with its principal place of business in Valencia, California. 3D is a leading manufacturer and supplier of industrial and professional RP systems and related equipment, proprietary materials used in RP systems, and associated services. For the year ending December 31, 2000, 3D had worldwide sales of $110

million, $59 million of which came from the United States. All or virtually all of 3D's sales were RP-related.

8. DTM is a Texas corporation with its principal place of business in Austin, Texas. DTM designs, manufactures, markets and supports, on an international basis, industrial RP systems and related materials used in industrial RP systems. For the year ending December 31, 2000, DTM had worldwide sales of $40 million, $19 million of which came from the United States. All or virtually all of DTM's sales were RP-related.

III.

THE PROPOSED TRANSACTION

9. On April 2, 2001, 3D and DTM entered into an agreement and plan of merger, pursuant to which 3D intends to acquire DTM in a cash tender offer. The merger agreement provides that 3D will commence a tender offer for all outstanding shares of DTM's common stock at a purchase price of $5.80 per share. DTM will then become a wholly owned subsidiary of 3D. The value of the transaction is estimated to be $45 million. The parties have announced that they intend to complete the transaction on June 8, 2001.

IV.

TRADE AND COMMERCE

A. The Relevant Product Market

10. Rapid prototyping (also known as solid imaging) is a relatively new field embodying the use of computers and computer automated equipment to rapidly produce three-

dimensional prototypes, models, and even low-volume production quantities of physical objects that traditionally have been produced by machining and other methods. For many applications, speed and flexibility in prototype development are exceptionally important, and RP systems can generate initial prototypes and later iterations at far greater speed and at significantly less cost than traditional technologies.

11. There is a broad range of uses for the technology employed in an RP system. For example, a less sophisticated RP system can be used to create a non-functional model of a hand-held calculator, used for visual inspection in early design phases. Or an automobile manufacturer can use a more sophisticated RP system to create a prototype of an exhaust manifold for an automobile, which can actually be bolted in place and tested by starting the car.

12. Sales of industrial RP systems and associated materials represent the largest and most profitable segment of the RP industry. Of the approximately $110 million in RP-related sales in the United States last year, industrial RP systems and materials accounted for approximately $93 million, or 85% of the total.

13. The customers for industrial RP systems include original equipment manufacturers, governmental entities, and "service bureaus," which are companies that purchase industrial RP systems and then create prototypes for customers on an as-needed basis.

14. In the event of a small but significant increase in the price of industrial RP systems, manufacturers, governmental entities and service bureaus would not switch back to other traditional technologies, such as machining, milling or grinding, in sufficient numbers to defeat the profitability of the price increase. Nor would these customers switch to professional RP systems.

15. The development, manufacture and sale of industrial RP systems is a line of commerce or relevant product market within the meaning of Section 7 of the Clayton Act.

B. The Relevant Geographic Market

16. 3D manufactures industrial RP systems for sale throughout the U.S. at a facility located in Grand Junction, Colorado. DTM manufactures industrial RP systems for sale throughout the U.S. at a facility located in Austin, Texas.

17. There are no imports of industrial RP systems into the United States. Although there are producers of industrial RP systems in other countries (in Japan and Germany, for example), there are patent barriers which prevent imports into the United States. Even though industrial RP systems manufactured outside of the United States are in some cases less expensive than those made in the United States, U.S. customers have not been able to turn to foreign producers because of these patent barriers, which are aggressively enforced by the parties.

18. A small but significant price increase of industrial RP systems would not cause a sufficient number of purchasers to switch to industrial RP systems manufactured outside the United States to make the price increase unprofitable.

19. The United States is a section of the country or relevant geographic market within the meaning of Section 7 of the Clayton Act.

C. Anticompetitive Effects

20. There are only three companies that develop, manufacture and sell industrial RP systems in the United States. 3D is by far the largest of these three, accounting for approximately 60% of U.S. sales of industrial RP systems. The other two manufacturers are DTM and

Stratasys, Inc. ("Stratasys"), each of which has approximately 20% of U.S. sales of industrial RP systems.

21. 3D and DTM offer the most sophisticated systems in the industry, and compete directly against each other in the development, manufacture and sale of industrial RP systems and materials. Customers have directly benefited from the price competition that exists between 3D and DTM in the sale of industrial RP systems.

22. The competition between 3D and DTM has been the driving force behind the development of innovative industrial RP system technology, which has in turn enabled the industry to succeed in displacing older methods of creating prototypes, such as machining, milling or grinding. For example, 3D developed a material called "QuickCast" for use in the investment casting process. As QuickCast's popularity increased, DTM responded by introducing a new approach to producing patterns for investment casting called "CastForm." CastForm rapidly gained popularity, and is now taking away some of the QuickCast business.

23. As a second example, DTM developed a process called "Laserform ST-100" that enables direct fabrication of complex metal parts and tooling inserts. Simultaneously, 3D spent over five years and considerable resources developing "Keltool" as a solution for rapid fabrication of tooling inserts; more recently, 3D developed a "Rapid Metal Fabrication" process for producing metal parts using Keltool-based methods. 3D developed the Rapid Metal Fabrication process in order to eliminate DTM's perceived advantage in the area of metals.

24. 3D and DTM compete directly with each other to improve and expand the quality and attributes of their machines over time. In many dimensions, the innovations of each company are intended to match and improve over the productivity gains of the other and therefore

maximize the ability of each to satisfy the diverse needs of the customers for whom they compete. Through this dynamic competition, a customer whose needs are best met by one technology today could be persuaded to purchase the new and improved technology of the other in the future.

25. 3D and DTM are the only two companies to have successfully commercialized the use of lasers in their industrial RP systems. The use of laser technology gives 3D and DTM a significant competitive advantage over Stratasys, their only competitor in the industrial systems market. 3D and DTM are each other's closest competitors in the industrial RP systems market.

26. The direct competition between 3D and DTM has benefited the purchasers and users of industrial RP systems through lower prices for systems, lower prices for materials, and improved products. In addition, the two companies would likely remain the most vigorous competitors in the industrial RP systems market as the market continues to grow and mature. If 3D's acquisition of DTM is permitted to proceed, the substantial competition between the two leading manufacturers of industrial RP systems will be permanently eliminated, resulting in increased prices and lessened product innovation.

D. Entry Is Unlikely to Deter the Exercise of Market Power

27. Successful entry into the industrial RP systems market would not be timely, likely or sufficient to deter any exercise of market power resulting from the transaction. Entry into the production and sale of industrial RP systems in the United States is difficult, time consuming, and expensive. In order to develop and manufacture industrial RP systems, a company would need sophisticated and advanced technological capabilities that take years to develop. Much of the technology in use by current industrial RP system manufacturers is protected by patents or

licensing agreements. A new entrant would face substantial costs and time -- well over two years at a minimum -- in order to successfully produce an industrial RP system that could have any chance of competing effectively in the marketplace.

28. Moreover, the merger will enhance 3D's already formidable patent position. According to a Private Placement Memorandum prepared by the investment banking firm of A.G. Edwards & Sons, Inc. for 3D, the company's management believes that, following the merger, "it will have a sufficiently strong patent portfolio to prevent others from competing" in the United States with respect to the key stereolithographic, selective laser sintering, and multi-jet modeling technologies.

29. Even after development of specialized equipment sufficient to manufacture an industrial RP system, an entrant would need to gain the confidence and trust of purchasers. An entrant must demonstrate that its industrial RP system produces prototypes that are accurate and suitable for their intended use. Developing a reputation for quality, reliability, and performance of industrial RP systems could take years.

30. Because of the years of effort and considerable expense it would take a new entrant to establish itself as a reputable provider of industrial RP systems, any attempted new entry would not be timely, likely or sufficient to deter the likely exercise of post-merger market power in the sale of industrial RP systems by 3D in the reasonably foreseeable future.

V.

VIOLATIONS ALLEGED

31. The effect of 3D's proposed acquisition of DTM may be substantially to lessen competition and tend to create a monopoly in interstate trade and commerce in violation of Section 7 of the Clayton Act.

32. The transaction will likely have the following anticompetitive effects, among others:

a. Competition generally in the development, manufacture and sale of industrial RP systems in the United States would be substantially lessened;

b. Actual and potential competition between 3D and DTM in the development, manufacture and sale of industrial RP systems and related materials in the United States would be eliminated; and

c. Prices for industrial RP systems and related materials sold in the United States would likely increase, and the quality, innovation, and service currently provided would likely decline.

33. Unless prevented, the acquisition of DTM by 3D would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18.

VI.

REQUESTED RELIEF

34. Plaintiff requests:

a. That the acquisition of DTM by 3D be adjudged and decreed to be unlawful and in violation of Section 7 of the Clayton Act, 15 U.S.C. § 18;

b. That Defendants and all persons acting on their behalf be permanently enjoined and restrained from carrying out any contract, agreement, understanding or plan, the effect of which would be to combine DTM with the operations of 3D;

c. That Plaintiff recover its costs of this action; and

d. That Plaintiff be granted such other and further relief as the case requires and this Court may deem just and proper.

Dated: 6 June 2001
Washington, D.C.

Respectfully submitted,

FOR PLAINTIFF UNITED STATES OF AMERICA:

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